

HOUSE BILL NO. 8

INTRODUCED BY J. WITT

BY REQUEST OF THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION AND THE
OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT APPROVING RENEWABLE RESOURCE PROJECTS AND
AUTHORIZING LOANS; REAUTHORIZING RENEWABLE RESOURCE PROJECTS AUTHORIZED BY THE
58TH LEGISLATURE; APPROPRIATING MONEY TO THE DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION FOR LOANS UNDER THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM;
AUTHORIZING THE ISSUANCE OF COAL SEVERANCE TAX BONDS; AUTHORIZING THE CREATION OF
A STATE DEBT AND APPROPRIATING COAL SEVERANCE TAXES FOR DEBT SERVICE; PLACING
CERTAIN CONDITIONS UPON LOANS; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Approval of renewable resource projects and authorization to provide loans. (1) The legislature finds that the renewable resource projects listed in this section meet the provisions of 17-5-702. The department of natural resources and conservation is authorized to make loans to the political subdivisions of state government and local governments listed in subsection (2) in amounts not to exceed the loan amounts listed for each project from the proceeds of the bonds authorized in [section 3].

(2) The interest rate for the projects in this group is 4.5% or the rate at which the state bonds are sold, whichever is lower, for up to 20 years.

Loan	Amount
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION	
Deadman's Basin Supply Canal Rehabilitation Project	55,000
Martinsdale North Dam Riprap Project	90,000
CARTERSVILLE IRRIGATION DISTRICT	
Sand Creek Siphon Rehabilitation Project	40,000

NEW SECTION. Section 2. Projects not completing requirements -- projects reauthorized. (1) The

legislature finds that the following renewable resource projects that were approved by the 58th legislature in Chapter 297, Laws of 2003, may not complete the requirements necessary to obtain the loan funds prior to June 30, 2005. The projects described in this section are reauthorized. The department of natural resources and conservation is authorized to make loans to the political subdivisions of state government and local governments listed in subsections (2) through (4) in amounts not to exceed the loan amounts listed for each project from the proceeds of the bonds authorized in [section 3].

(2) GROUP A: The interest rate for the projects in this group may be 2% below the long-term bond rate at which the state bonds are sold for the first 5 years of an anticipated 20-year term and must be at the rate at which the state bonds are sold for the remaining 15 years.

Loan	Amount
LOCKWOOD WATER AND SEWER DISTRICT	
Wastewater Collection and Treatment Works	3,300,000

(3) GROUP B: The interest rate for the projects in this group will be 4.5% on the first \$250,000 and 2.25% on the next increment of the loan up to \$500,000. The department of natural resources and conservation will then determine an average rate for the full term of the loan, which may be up to 20 years.

Loan	Amount
LOWER WILLOW CREEK DRAINAGE DISTRICT	
Lower Willow Creek Dam Rehabilitation	295,000

(4) GROUP C: The interest rate for the projects in this group is 4.5% or the rate at which the state bonds are sold, whichever is lower, for up to 20 years.

Loan	Amount
MILL CREEK IRRIGATION DISTRICT	
Mill Lake Dam Rehabilitation	572,000
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION	
North Fork of the Smith River Dam Rehabilitation	557,000

NEW SECTION. Section 3. Coal severance tax bonds authorized. (1) The legislature finds that Title 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved renewable resource projects as part of the state renewable resource grant and loan program. Available funds from previous sales of coal severance tax bonds, plus any additional principal amount on bonds as may be

1 necessary, pursuant to the conditions in 85-1-605, to fund emergency loans, as authorized and approved in
2 accordance with 85-1-605(4), may also be used for the projects approved in [sections 1 through 7]. The board
3 of examiners is authorized to issue coal severance tax bonds in an amount not to exceed \$7,236,264, of which
4 \$4,909,000 is to be used to finance the projects approved in [sections 1 and 2], \$1,669,422 is to be used to
5 finance additional loans in lieu of grants listed in House Bill No. 6, and up to \$657,842 is to be used to establish
6 a reserve for the bonds. Proceeds of the bonds are appropriated to the department of natural resources and
7 conservation for financing the projects identified in [sections 1 and 2] and may be used as authorized in
8 85-1-605(4). Loans made under 85-1-605(4) must bear interest at the rate borne by the state bonds unless the
9 legislature in a subsequent session provides for a lower interest rate, in which case the rate must be reduced
10 to the rate specified by the legislature.

11 (2) In connection with the issuance of coal severance tax bonds, the board of examiners may pay the
12 principal and interest on the bonds when due from the debt service account and in all other respects manage
13 and use the funds within each special bond account for the benefit of the bonds. The board of examiners shall
14 exercise its discretion to enhance the marketability of the bonds and to secure the most advantageous financial
15 arrangements for the state.

16 (3) Earnings on bond proceeds prior to the completion of any loan must be allocated to the debt service
17 account to pay the debt service on the bonds during this period. Earnings in excess of debt service, if any, must
18 be allocated to the renewable resource grant and loan program state special revenue account.

19 (4) Loan repayments from loans financed with coal severance tax bonds are pledged, dedicated, and
20 appropriated to the debt service account in the state treasury for the benefit of bonds approved for loans under
21 this section.

22
23 **NEW SECTION. Section 4. Conditions of loans.** (1) Disbursement of funds under [sections 1 through
24 7] for loans is subject to the following conditions that must be met by project sponsors:

25 (a) approval of a scope of work and budget for the project by the department of natural resources and
26 conservation. Reductions in a scope of work or budget may not affect priority activities or improvements.

27 (b) documented commitment of other funds required for project completion;

28 (c) satisfactory completion of conditions described in the recommendations section of the project
29 narrative in the renewable resource grant and loan program project evaluations and recommendations report
30 for the biennium;

1 (d) execution of a loan agreement with the department; and

2 (e) accomplishment of other specific requirements considered necessary by the department to
3 accomplish the purpose of the loan as evidenced from the application to the department or from the proposal
4 to the legislature.

5 (2) Each sponsor authorized for a loan from coal severance tax bond proceeds may be required to pay
6 to the department a pro rata share of the bond issuance costs and the administrative costs incurred by the
7 department to complete the loan transaction.

8
9 **NEW SECTION. Section 5. Private and discount purchase of loans.** Loans to political subdivisions
10 and local government entities and bonds, warrants, and notes issued in evidence of the loans may be made,
11 purchased by, and sold to the department of natural resources and conservation at a discount and at a private
12 negotiated sale, notwithstanding the provisions of any other law applicable to political subdivisions or local
13 government entities.

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15 **NEW SECTION. Section 6. Appropriation established.** For any entity of state government that
16 receives a loan under [sections 1 through 7], an appropriation is established for the amount of the loan upon
17 award of the loan by the department of natural resources and conservation.

18
19 **NEW SECTION. Section 7. Creation of state debt -- appropriation of coal severance tax --**
20 **bonding provisions.** (1) Because [section 3] authorizes the creation of a state debt, a vote of two-thirds of the
21 members of each house is required for enactment of [section 3].

22 (2) The legislature, through the enactment of [sections 1 through 7] by a vote of three-fourths of the
23 members of each house of the legislature, as required by Article IX, section 5, of the Montana constitution,
24 pledges, dedicates, and appropriates from the coal severance tax bond fund all money necessary for the
25 payment of principal and interest not otherwise provided for on the coal severance tax bonds authorized by
26 [section 3] to be issued pursuant to Title 17, chapter 5, part 7, and pursuant to the provisions of [sections 1
27 through 7] and the general resolution for this bond program that has been adopted by the board of examiners
28 under the authority provided in Title 17, chapter 5, part 7.

29
30 **NEW SECTION. Section 8. Severability.** If a part of [this act] is invalid, all valid parts that are

1 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,
2 the part remains in effect in all valid applications that are severable from the invalid applications.

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4 NEW SECTION. **Section 9. Effective date.** [This act] is effective July 1, 2005.

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